



Health Services
LOS ANGELES COUNTY

Los Angeles County
Board of Supervisors

July 18, 2006

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First District

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Second District

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Third District

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Fourth District

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Fifth District

The Honorable Board of Supervisors
County of Los Angeles
383 Kenneth Hahn Hall of Administration
500 West Temple Street
Los Angeles, California 90012

Dear Supervisors:

**AMENDMENT NUMBER SIX TO COUNTY AGREEMENT NUMBER 72190
WITH QUADRAMED CORPORATION AND QUADRAMED AFFINITY
CORPORATION FOR TURNKEY HEALTHCARE INFORMATION SYSTEMS
(All Districts) (3 Votes)**

Bruce A. Chernof, MD
Director and Chief Medical Officer

John R. Cochran III
Chief Deputy Director

William Loos, MD
Acting Senior Medical Officer

CIO RECOMMENDATION: ☒ APPROVE ☐ APPROVE WITH MODIFICATION
☐ DISAPPROVE

IT IS RECOMMENDED THAT YOUR BOARD:

Approve and instruct the Director and Chief Medical Officer of Health Services, or his designee, to sign, following the signatures by authorized representatives of QuadraMed Corporation (QMDC) and QuadraMed Affinity Corporation (Compucare), Amendment Number Six, substantially similar to Exhibit I, to Agreement Number 72190 for Harbor-UCLA Medical Center (HUMC), Olive View-UCLA Medical Center (OVUMC), and Los Angeles County + University of Southern California Medical Center (LAC+USCMC), effective upon Board approval through December 31, 2006, to purchase additional System Hardware and System Software; to increase Standard Pool Dollars for HUMC, OVUMC and LAC+USCMC for professional services and goods; to add new Phases VIII and IX for new Application Software modules; to increase the Contract Sum by \$10,414,980 to a total of \$72,927,799; and to make various other changes to the Agreement.

PURPOSE OF RECOMMENDED ACTION:

In approving this recommended action, the Board is authorizing the Director of Health Services, or his designee, to sign this Amendment Number Six, to:

1. purchase additional System Hardware and System Software,
2. increase Standard Pool Dollars for County-requested professional services and goods which includes, without limitation, Master Patient Index (MPI) cleanup services,

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3. add a new Phase VIII for new Quantim Report Writer, Quantim Chart Completion, Quantim Chart Locator, Quantim Correspondence Management/Release of Information (ROI), and Quantim eSignature Application Software modules; and a new Phase IX for new Quantim Electronic Document Management (EDM) Revenue Management and Quantim EDM Health Information Management (HIM) Application Software modules,
4. add an additional pricing method for County-requested other professional services, paid for with Standard Pool Dollars,
5. increase the Contract Sum by \$10,414,980 to a total of \$72,927,799 and
6. make various other changes to the Agreement.

PURPOSE/JUSTIFICATION OF THE RECOMMENDED ACTIONS:

Board approval of this amendment is recommended for:

- the amount of \$4.5 million for one-time Quantim software, hardware, installation fees, and ongoing maintenance. Quantim is needed initially to support LAC+USC in its move to the new Replacement Facility and subsequently to provide on-line medical records access to patients' medical records at all DHS facilities covered by this agreement;
- one-time costs of \$3.7 million for professional services related to the MPI clean-up project, which will eliminate multiple medical record numbers for active patients at each of the County clusters covered by this agreement; and
- one-time costs of \$2.2 million for professional services in support of HIM operations and business transformation, and other professionals services; e.g., to ensure system optimization.

FISCAL IMPACT/FINANCING:

Funding for this agreement is included in the FY 2006-07 Adopted Budget.

FACTS AND PROVISIONS/LEGAL REQUIREMENTS:

On August 23, 1989, the Purchasing Agent approved County Agreement Number A51549 with Compucare for the acquisition and maintenance of a turnkey HIS, including, but not limited to, clinical modules and hardware, for each of HUMC and OVUMC. This agreement was modified on 20 occasions by amendments. Amendment Number 19, approved by the Board on June 15, 1999, added QMDC as a contractor under the agreement to be held jointly and severally liable and responsible for any and all of the obligations, responsibilities and liabilities of Compucare under that agreement.

On May 7, 1992, the Purchasing Agent approved County Agreement Number A53813 for the acquisition and maintenance of a turnkey HIS, including but not limited to, clinical modules and hardware for LAC+USCMC. This agreement was modified on 11 occasions by amendments. Amendment Number 11, approved by the Board on June 15, 1999, added QMDC as a contractor under the agreement to be held jointly and severally liable and responsible for any and all of the obligations, responsibilities and liabilities of Compucare under that agreement.

On June 29, 1999, the Board approved successor County Agreement Number 72190 with Compucare and QMDC for the turnkey HIS consolidating the two existing agreements into a single agreement which includes HUMC, OVUMC and LAC+USCMC. This action is consistent with the Board's direction to consolidate and reduce the number of agreements with a single vendor, when possible. This agreement has provided enhanced Compucare Affinity clinical software modules, hardware and software upgrades, communications network hardware, software and services, and other professional services, and continued maintenance on the hardware and software to support ongoing operations of the existing HIS at HUMC, OVUMC, and LAC+USCMC.

On December 4, 2001, the Board approved Amendment Number One to continue the Communications Network work to support the ongoing operations of HIS currently in use at HUMC, OVUMC, and LAC+USCMC, to provide functional requirements for two Application Software modules, to change certain Third Party Software, to change certain acceptance testing, and to transfer funds among certain pools of funds for professional services and goods. The amendment also corrected an oversight in the termination date of the Sigma Pool Dollars used for Sigma Software maintenance services to be consistent with the termination date (June 30, 2001) of the subcontract with EXM Inc., which provided such services under a subcontract with Compucare and QMDC.

On March 26, 2003, the Board approved Amendment Number Two to add standard County contract language regarding Health Insurance Portability and Accountability Act of 1996 (HIPAA).

On December 9, 2003, the Board approved Amendment Number Three to extend the term of the Agreement through December 31, 2005; to upgrade certain System Hardware and System Software; to extend existing Communications Network rates through December 31, 2005; to approve a new subcontractor related to certain System Hardware and System Software; to add a \$50 million limitation on Contractor's liability to County and exclusions for certain damages; to increase pool dollars for HUMC and LAC+USCMC for professional services and goods; to continue implementation of certain Application Software modules; and to increase rates for maintenance services and professional services.

On April 20, 2005, the Board approved Amendment Number Four to revise standard County contract language regarding HIPAA.

On December 6, 2005, the Board approved Amendment Number Five to acquire an Application Software module (Clinician Access, also known as Clinician Access/Clinical Workstation) and additional Operating Software and System Hardware and related installation and maintenance services for HUMC, OVUMC, and LAC+USCMC. This Application Software module had been acquired through the Change Notice process. The amendment also acquired new Application Software modules [PreciseID, MPISpy, SmartMerge and SmartID (downtime), these four modules also known as Master Patient Index Suite], and additional Operating Software, System Hardware, and related installation and maintenance services for all three facilities.

The proposed amendment provides for purchase of additional System Hardware and System Software for all three hospitals; increases Standard Pool Dollars for County-requested professional services (including, without limitation, MPI cleanup services) and goods; adds a new Phase VIII for new Quantim Report Writer, Quantim Chart Completion, Quantim Chart Locator, Quantim Correspondence Management/ROI, and Quantim eSignature Application Software modules, and a new Phase IX for new Quantim Electronic Document Management (EDM) Revenue Management and Quantim EDM Health Information Management (HIM) Application Software modules; adds a new pricing method for County-requested other professional services on a fixed price basis using Standard Pool Dollars which is in addition to the existing time and materials pricing method based upon QDMC's hourly labor rates; increases the Contract Sum by \$10,414,980 to a total of \$72,927,799; and makes various other changes to the Agreement.

This agreement terminates December 31, 2006. The Department will return before this date to request a two-year extension.

The County's Chief Information Officer concurs with the Department's recommendation. The Department has agreed to the monitoring of each facility's project for the implementation of the Quantim modules using the IT Tracking System.

Sidley Austin Brown & Wood, LLP (outside counsel) has reviewed the attached amendment (Exhibit I) and recommends Board approval. The amendment has also been reviewed and approved as to form by County Counsel. Also, the County's Internal Services Department, Purchasing and Central Services, has reviewed the amendment.

Attachment A provides additional information.

CONTRACTING PROCESS:

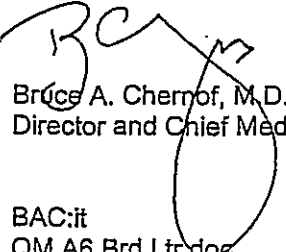
DHS did not advertise this proposed Amendment Number Six on the Office of Small Business Countywide Web Site as a contracting opportunity, because it is for the continued provision of technical services for which the current contractor is uniquely qualified to perform. To select a new contractor at this time would be extremely costly to the County.

IMPACT ON CURRENT SERVICES (OR PROJECTS):

The Board's approval of the recommended amendment will continue the ongoing operations of the HIS currently in use at each of HUMC, OVUMC, and LAC+USCMC.

When approved, this Department requires three signed copies of the Board's action.

Respectfully submitted,


Bruce A. Chernof, M.D.
Director and Chief Medical Officer

BAC:it
QM A6 Brd Ltr.doc
Attachments

Reviewed by:


Lynn V. Eskinwider
Chief Information Officer
(See Attached Analysis)

c: Chief Administrative Officer
Chief Information Office, Los Angeles County
County Counsel
Executive Officer, Board of Supervisors
Director of Internal Services

SUMMARY OF AMENDMENT

1. TYPE OF SERVICE:

Under the agreement amendment, QuadraMed Corporation and QuadraMed Affinity Corporation will continue to provide a turnkey Healthcare Information System (HIS) for each of County's Harbor-UCLA Medical Center (HUMC), Olive View-UCLA Medical Center (OVUMC), and Los Angeles County + University of Southern California Medical Center (LAC+USCMC).

2. AGENCY ADDRESS AND CONTACT PERSON:

QuadraMed Affinity Corporation
3 Imperial Promenade, Suite 400
Santa Ana, CA 92707-5916
Sandra K. Williams, Vice President
Telephone: (714) 371-1700

3. TERM:

The amendment will be effective as of the date of approval thereof by County's Board of Supervisors and the agreement will expire on December 31, 2006.

4. FINANCIAL INFORMATION:

Funding for this agreement is included in the FY 2006-07 Adopted Budget.

5. FACILITIES TO BE SERVED:

HUMC, OVUMC, and LAC+USCMC

6. DESIGNATED ACCOUNTABLE FOR PROGRAM EVALUATION:

Kathy Shibata, Enterprise Project Director

7. APPROVALS:

Information Resource Management:	Patrick Anderson, DHS Chief Information Officer
County Chief Information Officer:	Jon W. Fullinwider, Chief Information Officer
Contracts and Grants Division:	Cara O'Neill, Chief, Contracts and Grants Division
County Counsel (approval as to form):	James Kashian, Principal Deputy County Counsel

CIO ANALYSIS

AMENDMENT NUMBER SIX TO COUNTY AGREEMENT NUMBER 72190 WITH QUADRAMED CORPORATION AND QUADRAMED AFFINITY CORPORATION FOR
TURNKEY HEALTHCARE INFORMATION SYSTEMS
(All Districts) (3 Votes)

CIO RECOMMENDATION: ☒ APPROVE ☐ APPROVE WITH MODIFICATION
 ☐ DISAPPROVE

Contract Type:

☐ New Contract ☒ Contract Amendment ☐ Contract Extension
☐ Sole Source Contract ☐ Hardware Acquisition ☐ Other

New/Revised Contract Term: Base Term: N/A Yrs # of Option Yrs

Contract Components:

☒ Software ☒ Hardware ☐ Telecommunications
☒ Professional Services

Project Executive Sponsor: Patrick Anderson, Chief Information Officer

Budget Information :

Contract Expenditures	\$54,000,000
Requested Contract Amount	\$10,414,980
Aggregate Contract Amount	\$72,927,799

Project Background:

Yes	No	Question
<input type="checkbox"/>	<input checked="" type="checkbox"/>	Is this project legislatively mandated?
<input type="checkbox"/>	<input checked="" type="checkbox"/>	Is this project subvented? If yes, what percentage is offset?
<input type="checkbox"/>	<input checked="" type="checkbox"/>	Is this project/application applicable to (shared use or interfaced) other departments? If yes, name the other department(s) involved?

Strategic Alignment:

Yes	No	Question
<input checked="" type="checkbox"/>	<input type="checkbox"/>	Is this project in alignment with the County of Los Angeles Strategic Plan?
<input checked="" type="checkbox"/>	<input type="checkbox"/>	Is this project consistent with the currently approved Department Business Automation Plan?
<input checked="" type="checkbox"/>	<input type="checkbox"/>	Does the project's technology solution comply with County of Los Angeles IT Directions Document?
<input checked="" type="checkbox"/>	<input type="checkbox"/>	Does the project technology solution comply with preferred County of Los Angeles IT Standards?
<input checked="" type="checkbox"/>	<input type="checkbox"/>	This contract and/or project and its milestone deliverables must be entered into the Information Technology Tracking System (ITTS).

Project/Contract Description:

The Department of Health Services (DHS) is requesting your Board delegate authority to the Director and Chief Medical Officer of Health Services, or his designee, to sign Amendment Number Six to Agreement 72190 with QuadraMed Corporation and the QuadraMed Affinity Corporation (QuadraMed) for Harbor-UCLA Medical Center (HUMC), Olive View-UCLA Medical Center (OVUMC) and LAC+USC Medical Center (LAC+USCMC) principally to:

- Acquire the Quantim suite of applications for all three facilities and the hardware and operating software required to manage their digitized medical records and automate their health information management functions;
- Increase the scope of professional services and pool of dollars for the implementation of the Quantim suite at LAC+USCMC and HUMC, to fund one-time costs for resources to assist with the Master Patient Index (MPI) Clean-up Project for each facility, and to address ongoing professional service needs associated with QuadraMed Health Information System (HIS); and
- Add a desired fixed price methodology for professional services to support the review and consolidation of those physical medical records, confirmed as duplicates within the MPI.

This Amendment will increase the contract sum by \$10,414,280 for a total of \$72,927,799. However, it does not extend the term of the existing Agreement which expires in December 2006. Additional negotiations are in progress to resolve outstanding issues related to ongoing maintenance and support costs and another amendment is anticipated within the next five and one-half months.

Background:

The County's agreement with QuadraMed (previously Compucare) dates back to 1989 when the first agreement was approved by the Purchasing Agent to provide Hospital Information Systems for HUMC and OVUMC. A separate agreement was approved by the Purchasing Agent in 1992 to provide the LAC+USCMC with the Hospital Information System.

In June 1999, your Board approved a successor agreement with QuadraMed that consolidated the HUMC, OVUMC and LAC+USC agreements into the current agreement which has been amended five times.

The QuadraMed HIS provided under this Agreement is their Affinity product. The DHS has established the Affinity HIS as their Department's enterprise solution and has implemented its use in all their hospitals and clinics. This Amendment continues the implementation of required modules at HUMC, OVUMC and LAC+USCMC. DHS has acquired the QuadraMed HIS applications under this agreement and a second agreement that provides the QuadraMed software, hardware and services for Rancho Los Amigos National Rehabilitation Center, High Desert Health System and Martin Luther King/Drew Medical Center. The scope and complexity of these agreements and the limited number of knowledgeable Information Technology Contract Analysts has contributed to the Department expanding the agreements

over multiple amendments. The Department has indicated their intent to file additional amendments to both agreements before the end of the calendar year to ensure that all facilities have access to the new Quantim series of applications, required software tools, hardware, professional services and the ongoing maintenance to support the systems.

Project Justification/Benefits:

The projects supported by Amendment Number Six to Agreement 72190 continue to deploy required and standard information systems across the hospitals operated and managed by DHS. The LAC+USCMC and the HUMC will begin the implementation of new applications that will provide physicians and other clinicians access to medical records and radiological exams online. This will effectively address the historical problem of access to existing medical records. The full implementation of the Quantim suite of applications will support the operational assumptions for the LAC+USC Replacement Facility which were designed and constructed anticipating that medical records and clinical tests will be accessed electronically. The successful implementation of these applications are anticipated to materially improve the efficiency of delivering care in these facilities by reducing duplicate ancillary tests because records and test results are unavailable.

In addition, this Amendment will assist with the Master Patient Index (MPI) Clean-up Project for each facility, which will more accurately identify possible duplications when creating records and the ability to identify potential duplicate records in the existing MPI.

Project Metrics

The QuadraMed Agreement and Amendment Number Six are structured to pay for completed and accepted deliverables or delivery and testing of installed hardware and software. This ensures that the County will receive a useable product before payments are made. The Department and vendor have, over the years, established structured implementation methodologies that have been used successfully across the DHS Medical Centers. The implementation plan allows management to monitor progress through the completion and acceptance of key deliverables against the respective project plans.

DHS will monitor each medical center's project to implement the Quantim modules in the Information Technology Tracking System (ITTS).

Another key metric of project success related to the new Quantim applications is the effectiveness of the training and clinician performance and acceptance.

Impact On Service Delivery Or Department Operations, If Proposal Is Not Approved

If this amendment is not approved, it will impact DHS's ability to implement operations within the LAC+USC Replacement Facility and achieve the operational efficiencies and cost reductions projected for the new facility based on eliminating the part of the expense of managing hardcopy medical records and images.

The Amendment also provides HUMC, OVUMC and LAC+USCMC with new hardware to support their implementation of the new applications acquired under this Amendment.

Alternatives Considered:

DHS has established the QuadraMed Affinity product as their corporate HIS. This precludes their use of other products, if they are to maintain the system integration with existing modules already in use in their facilities.

Project Risks:

This Amendment modifies an existing Agreement that has been in place since 1999 and a business/contractual relationship for these software products and services since 1989. The County and vendor have years of experience working together and this minimizes contractual and project risks.

DHS is faced with a short timeframe to complete the planned Amendment Number Seven to Agreement Number 72190, which will extend the term of the Agreement for two additional years. The Amendment must be approved by your Board prior to the Agreement's termination date of December 31, 2006. The new Quantim suite of applications cannot be fully implemented within the five and one-half-months remaining in the present term of this Agreement. To ensure approval prior to December 31, 2006, DHS should complete the next contract amendment and submit it for Board approval within the next four months.

Risk Mitigation Measures:

CIO staff will closely monitor the Department's progress in developing Amendment Number Seven to ensure its timely execution.

Financial Analysis:

Amendment Number Six to the QuadraMed Agreement Number 72190 amends the contract maximum by \$10,414,980. This amount provides hardware and operating software, application software, maintenance and professional services. Although the remaining term of this agreement is only six (6) months, the contract maximum includes optional professional services that will not be exhausted within that time frame.

The Department has confirmed that they have sufficient funds in their current fiscal year (FY 2006-2007) to encumber the full \$10.4 million dollar increase in the contract maximum.

This Agreement will require an additional increase in the contract maximum in the subsequent amendment to cover the ongoing maintenance for the extended term to be included in the planned Amendment Number Seven to this agreement.

CIO Concerns:

DHS is faced with a short timeframe to complete the planned Amendment Number Seven to Agreement Number 72190 and gain Board approval prior to the Agreement's termination date of December 31, 2006. As discussed earlier, this Amendment is needed to fully implement the new Quantim suite of applications.

CIO Recommendations:

To ensure Board approval of Amendment Number Seven, we recommend that DHS should complete the next contract amendment and submit it to the Board for approval within the next four months.

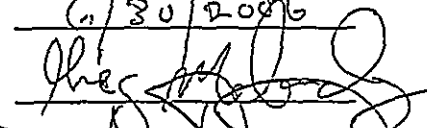
Recognizing the immediate need to begin implementation of the Quantim suite of applications at LAC+USC required to support the management of the electronic medical records at the new Replacement Facility, we recommend your Board's delegation of approval to sign this Amendment.

CIO APPROVAL

Date Received:

6/30/2006

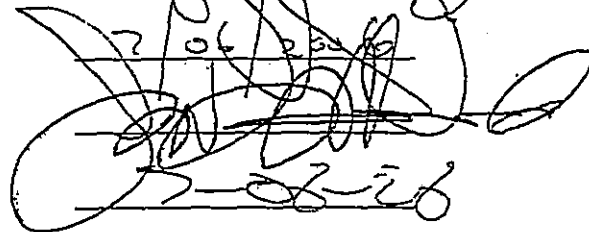
Prepared by:



Date:

7/06/2006

Approved:



Date:

5-28-06